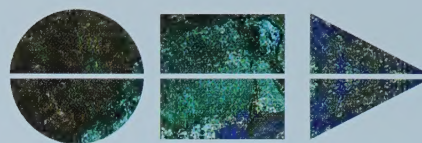


Stratabound Minerals Corp.

Winspear Business Reference Point
University of Alberta
1-18 Business Building
Edmonton, Alberta T6G 2R6

Annual Report 1998





Stratabound MINERALS CORP.

Annual Report 1998

Corporate Profile

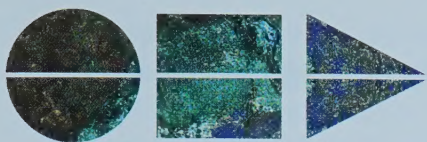
Stratabound Minerals Corp. is a Canadian natural resource company exploring extensive base metal and silver holdings in northeast Mexico through a wholly owned subsidiary, Cia. Minera Stratamex, S.A. de C.V.

The company's Mexican concessions and Canadian properties in New Brunswick and British Columbia offer superior potential for world-class polymetallic mineral deposits.

Stratabound has a proven record of mineral discovery and development. Incorporated in 1986, it has traded on the Alberta Stock Exchange since 1987. Outstanding share capital at December 31, 1998 was 7,809,013 shares.



Cover photo was created using scans of three samples of copper-silver mineralization from Stratabound's Don Indio property in Mexico.



Report to Shareholders

During 1998 sharp declines in metal prices and the lingering aftermath of gold stock frauds greatly depressed share prices in the Canadian mining sector. Large or small, few companies were unaffected. Traditional sources of exploration investment capital dried up to a great degree: the financial community displayed a lack of interest in mineral exploration, while the major mining companies, struggling with declining revenues, slashed exploration budgets or shut down operations.

Despite this negative environment, Stratabound continued to develop its asset base, discovering a significant zinc-lead-silver resource on the Sierra Azul and increasing its land interests in Mexico tenfold to 157 square miles.

The new Don Indio and Monarca properties, together with Sierra Azul, comprise a strategic land package that contains what we believe to be the best polymetallic mineral prospects in Mexico's industrial northeast.

We have found significant thicknesses of ore grade zinc-lead-silver mineralization on all three properties, as well as ore-grade silver-copper in several areas on the Don Indio claims. Most of this mineralization remains open along strike and down dip.

Our 1998 program of mapping, sampling, geophysics and drilling on the Santa Genoveva deposit at Sierra Azul indicated an initial 700,000 tonnes grading 9.7% zinc and 3.7% lead with some silver, open in high grade ore along strike and dip.

The Monarca property also has exceptional merit. The area of known and prospective mineralization is huge, and a geological mapping and sampling program would be expected to yield rapid results that could lead to a major drill program.

Summary descriptions of each property are presented in the following report.

The large number of old mine workings on the properties provides an important cost advantage during initial exploration. Geological mapping and sampling of workings and their relation to surface geology can give a three-dimensional picture of mineralization which is usually only provided after thousands of meters of drilling.

Recent metallurgical developments in zinc oxide leaching enhance the value of our Mexican assets. Oxide ore is thought likely to be amenable to an on-site chemical extraction process that is cheaper than the standard sulphide concentration/smelting process. At Monarca and Sierra Azul, extensive near-surface zinc-lead-silver oxide mineralization, plus large volumes of tailings and dumps containing significant amounts of zinc and lead oxides, offer potential leaching opportunities.

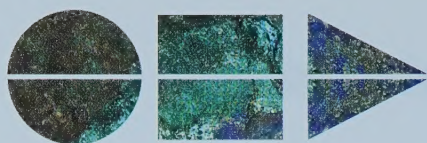
We have been looking for a joint venture partner to fund integrated and thorough exploration of these properties, and are also considering other financing alternatives.

With Asian economies now beginning to recover, the outlook for metals is much improved. Global supplies of zinc are particularly tight and continue to shrink. The price of this metal is expected to appreciate this year and next, which would be of great benefit to Stratabound.

We look forward to better times ahead, and thank our shareholders for their loyal support.

S. J. Stricker, P.Geol.
President

Calgary, Alberta
July 14, 1999



Report on Operations

Coahuila State, Northeast Mexico (40,755 hectares)

The Sierra Azul, Don Indio and Monarca properties are easily accessible by paved highway and gravel road from Monclova, a regional centre of 100,000 people hosting a large iron smelting and steel production complex, and from the town of Cuatrociénegas, population 9,000 (Fig. 1). The area is well serviced by railroads, electricity and water. Monterrey, Mexico's second largest city, is a two hour drive south on Highway 57, while Laredo, Texas is a two hour drive to the north.

Mineralization on all three of Stratabound's Mexican properties occurs within Lower Cretaceous strata. A "red bed"¹ sandstone (San Marcos Formation) contains extensive copper-silver mineralization on Don Indio. The red beds are overlain by dolomitized limestone (Cupido Formation) that is heavily mineralized with ore-grade zinc-lead-silver in many places on all three properties.

Don Indio Property (2,947 hectares)

The Don Indio claim was optioned in September, 1998, and covers a 19 kilometre strike length of the mineralized San Marcos and Cupido Formations. Stratabound's initial exploration program, early in 1999, mapped the northwest portion of the property (Fig. 2) and focused on four of the larger historical mine workings along a 4.5 kilometre portion of the favourable contact. Numerous other workings were noted but not sampled or mapped.

¹ "Red bed" sedimentary copper deposits account for 30 % of world copper production, and can also contain significant quantities of silver, zinc, lead or cobalt. Deposits of this type commonly are large and occur in clusters, varying in size from tens to hundreds of millions of tonnes, and grading between 1.5 % and 5.0 % copper. Ore thicknesses vary from one metre to tens of metres.

Detailed underground mapping and systematic sampling were completed at **San Marcos West, Pilar Grande, La Encalmada** and **El Rincon**, with a few additional channel samples taken at **El Pilon** (Fig. 2). Large continuous samples were taken along the full height of each working at closely spaced intervals and assayed at Chemex Labs Ltd. in Vancouver.

The old mine workings exist only where mineralization was first located on surface, not necessarily where the best mineralization exists; workings only followed high grade shoots, often of narrow widths, and usually do not completely expose the true thicknesses of mineralization that would be considered economic today. In addition, as the highest grade material was selectively mined, results of our sampling, while excellent, tend to understate true metal content.



Copper-silver mineralization (blue) in San Marcos Formation sandstones.

Stratabound's exploration program successfully identified significant red bed sedimentary copper-silver mineralization at the top of the sandstone sequence at Pilar Grande, El Rincon, El Pilon and San Marcos West. This implies an initial copper-silver sandstone target that is at least 4.5 kilometres long.

Furthermore, significant thicknesses of carbonate-hosted ore were confirmed at San Marcos West (zinc-lead-silver) and La Encalmada (zinc-lead-silver-copper) near the base of the Cupido carbonate sequence that overlies the mineralized sandstone.

Work to date indicates economic thicknesses and grades of mineralization, open along strike and down dip, in most of the workings sampled. Silver content has been exceptionally high, particularly at Pilar Grande.

The assay results are discussed below, and summarized in Table I.

At **San Marcos West**, workings are present within a 100 meter vertical interval. Stratabound sampled the three lowest levels, which extend along 40 metres of strike and a six metre width in brecciated Cupido limestones. Results show weighted average grades of 5.1 % to 9.8 % zinc, 2.8 % to 4.7 % lead, and 42 to 181 g/t silver. The mineralization is open in one strike direction, down the dip and in the footwall, and indicates a chimney-shaped deposit.

Sampling here also revealed a 16 metre thick section in the footwall red beds containing anomalously high amounts of silver and copper, including a two metre thick interval grading 75.0 g/t silver and 0.73 % copper. This silver-copper interval occurs 60 metres stratigraphically below the main zinc-lead-silver mineralization.

At **Pilar Grande**, silver-copper mineralization occurs in a 23 metre (75 feet) thick

Figure 1: Mexican Properties (State of Coahuila) Location Map

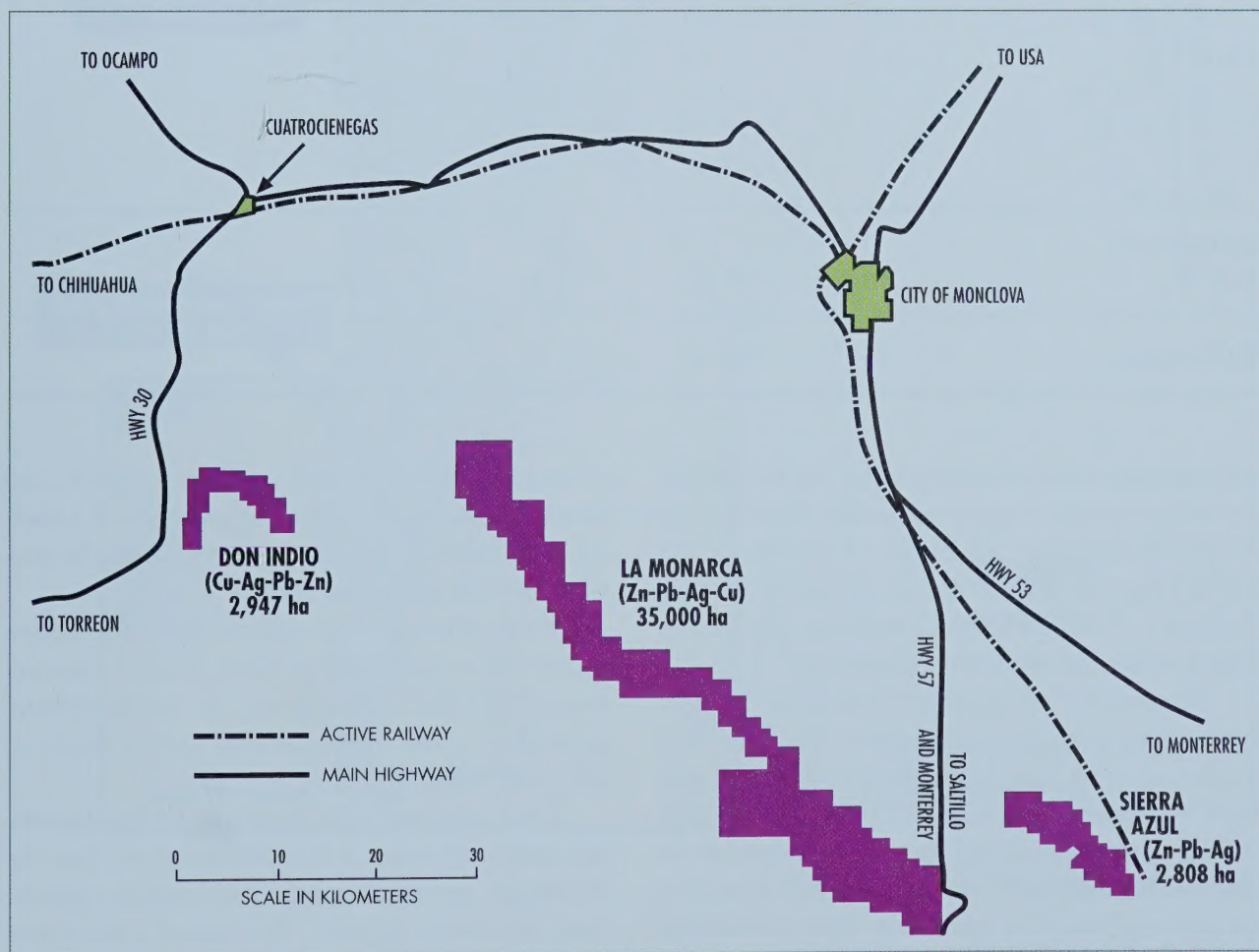


Table 1 : Don Indio - Channel and Panel Sampling - Summary of Assay Results

Location	No. of Samples	Grades (Weighted Averages)				
		Silver g/t	Silver oz/ton	Copper %	Lead %	Zinc %
San Marcos West						
Level 1	20	53.24	1.55		3.06	5.09
Level 2	9	41.52	1.21		2.79	9.75
Level 3	7	180.80	5.28		4.71	5.22
Pilar Grande						
Level 1	17	88.58	2.59	0.84		
Level 2	15	159.64	4.66	1.22		
incl 1.2 m.	1	258.00	7.53	2.68		
and 2.0 m.	1	380.00	11.10	5.16		
and 1.0 m.	1	576.00	16.82	0.56		
Level 3	43	139.40	4.07	1.59		
incl 3.6 m.	4	262.91	7.68	1.78		
& 1.75 m.	3	123.86	3.62	2.49		
& 1.2 m.	2	235.25	6.87	2.30		
& 1.85 m.	3	285.30	8.33	3.19		
Level 4	95	117.80	3.44	3.30		
incl 3.01 m.	4	376.03	10.98	3.93		
& 2.05 m.	3	113.6	3.32	2.16		
& 1.1 m.	1	497.00	14.51	4.70		
Encalmada						
Level 1	27	49.50	1.45	0.53	4.38	4.72
El Rincon						
	22	42.00	1.23	1.50		

stratigraphic interval comprising the lowermost 10 metres of the Cupido carbonate unit (Levels 1 and 2) and the uppermost 13 metres of the underlying red bed sandstone sequence (Levels 3 and 4). The workings extend for 140 metres along strike and 80 metres down dip.

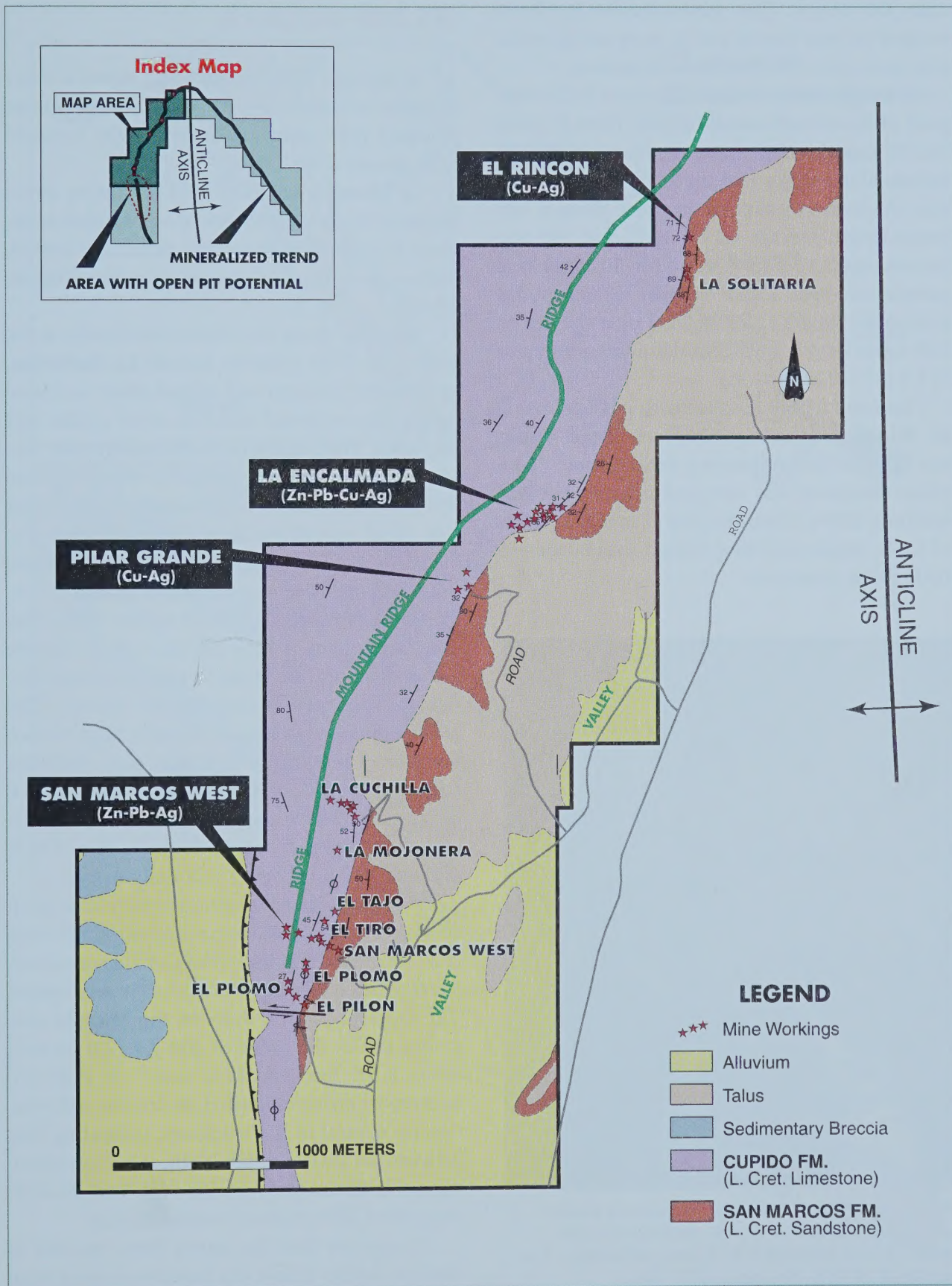
Mineralization at Pilar Grande is open in both strike directions and down dip. Average grades increase with depth, from 89 g/t silver and 0.84 % copper in Level 1, to 118 g/t silver and 3.30 % copper in Level 4. Copper occurs as chalcocite, malachite and azurite, and is said to be greater than 95 % leachable. Spotty amounts

of lead, up to 7.98 %, and zinc, up to 3.64 %, are present, and may indicate the presence of a lead-zinc-silver zone in the overlying Cupido Formation, as at San Marcos West.

At **El Pilon**, three hundred and fifty metres southwest of San Marcos West, limited channel sampling (total 15.8 metres) in the sandstone identified a one metre section with a grade of 123.5 g/t silver and 4.34 % copper.

Lead, zinc and silver grades at **La Encalmada** are similar to those at San Marcos West, but the workings are much larger and contain significant accessory copper. Brecciated limestones

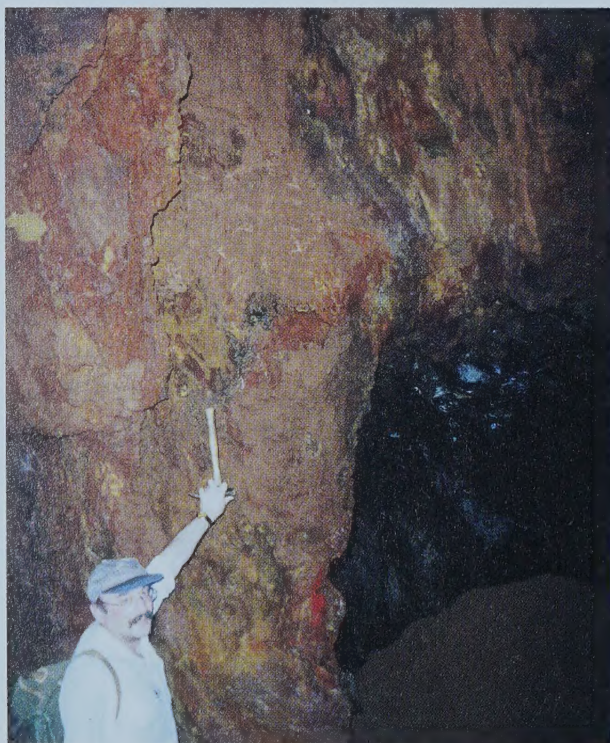
Figure 2: Don Indio Property, Northwest Section



have been exploited over a strike length greater than 300 metres. The mineralization has been worked on two levels, and is open along strike and down dip; true thickness is unclear.

Average grades obtained on Level 1 (27 samples) at Encalmada are shown in Table I. Level 1A (87 samples) follows mineralization for 300 metres along strike and up to 20 metres down dip. At its northeast end, samples along a 120 metre length average 4.13 % zinc, and 160 metres average 3.49 % lead. A central 50 metre long portion averages 2.22 % copper. Silver grades average 41.05 g/t (1.20 oz/ton) over the entire 300 metre length, with individual samples up to 717.0 g/t (20.94 oz/ton).

Located 1.5 kilometres north of Encalmada, **El Rincon** consists of small workings within the copper-silver bearing sandstones. The mineralization was sampled only at surface within a 200 x 10 metre area at average grades of 1.5 % copper and 42 g/t silver, and is open in both strike directions.



Portion of 15 metre wide mineralized zone underground at Reforma. A 10.5 m. continuous width grades 5.07 % zinc and 1.03 % lead, including a 3 m. section of 13.18 % zinc and 2.37 % lead.

La Monarca Property (35,000 hectares)

In January 1999 Stratabound signed a letter of intent to acquire the Monarca claims, a large prospect that occupies about 35,000 hectares (135 square miles).

La Monarca encloses a 70 kilometre strike length of the favourable limestone/sandstone sequence containing abundant carbonate hosted, replacement-type lead-zinc-silver mineralization (Fig. 3).

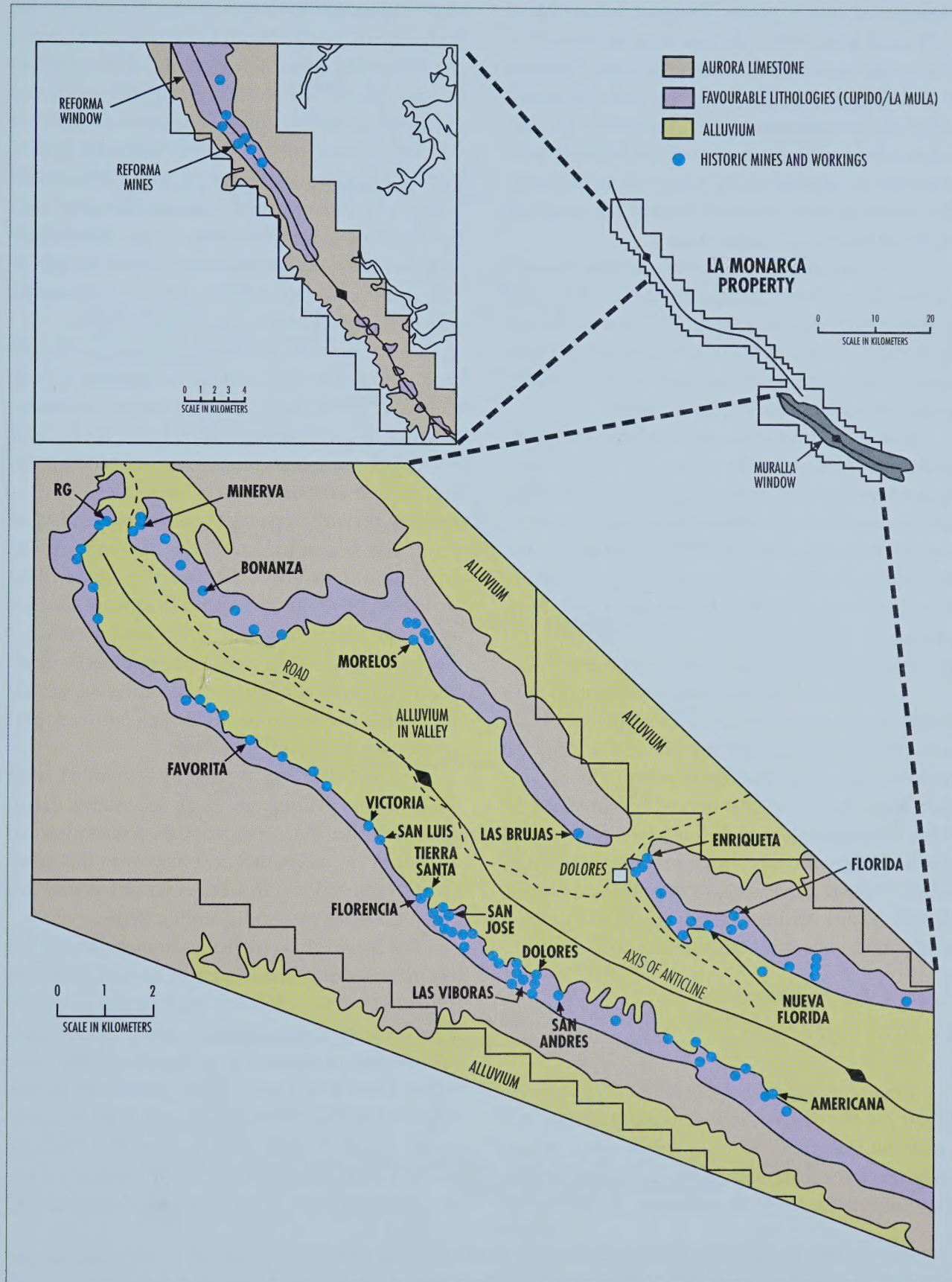
Workings along five kilometres of strike at the north end of the property include **La Reforma**, La Fortuna, Ocampo and several other unnamed mines that extracted lead-zinc-silver oxides and sulphides. The Consejo de Recursos Minerales (the Mexican government geological division) indicates that La Reforma Mine, which was one of the larger base metal operations in northeast Mexico, produced from 1896 to 1958, feeding two million tonnes of ore to an on-site mill at grades of 7 % lead, 2.8 % zinc and 150 g/t (4.4 oz/ton) silver. The mine shut down in 1958 during a labour dispute and never re-opened. It appears that unmined zinc-rich ore is present at Reforma (see photo). The tailings piles and dumps represent a large surface resource of potentially leachable zinc. Reforma tailings averaged 3.04 % zinc, 2.69 % lead and 36.6 g/t silver in preliminary sampling (2 ICP analyses); dump samples averaged 5.02 % zinc, 3.44 % lead and 18.2 g/t silver (3 ICP analyses).

The **Muralla** area in the property's southern portion contains 80 old mines and workings along 25 kilometres at the base of the Cupido Formation.

Published official information is very sparse. The Consejo reports that "in the Muralla area grades are in the order of 100 g/t (2.9 oz/ton) silver, 2.5 % lead and 17 % zinc." A 1948 private report provides limited production information on several of the workings, indicating that between the 1880s and the 1940s, significant quantities of bonanza grade ore (20-60 % lead, 25-40 % zinc, 100-1,800 g/t silver) were extracted.

It appears that the mines were worked to shallow depths across thicknesses ranging from

Figure 3: La Monarca Property, Mexico - Geology and Mine Workings



less than a metre to seven metres. Some were abandoned when grades dropped below 25 or 30 %, and some when the ore became too rich in zinc relative to lead (the metal of most interest at the time was lead). Others were abandoned when working depth made it too difficult to carry ore out manually. A number of the deposits were reported to become more zinc-rich with depth. No attempts were made to exploit the sulphide material below the oxide zone.

Initial sampling of zinc-rich surface “waste” dumps from the Florida, Bonanza, RG, and Dolores workings averaged 17.21 % zinc, 2.24 % lead and 74.68 g/t silver (6 ICP analyses). These results are remarkably similar to the Consejo grade estimates for the Muralla area.

Several factors indicate excellent economic potential for large scale carbonate hosted zinc-lead-silver deposits in the Muralla area: the mineralized system has extraordinary lateral extent; occurs at the same stratigraphic level as most of the large carbonate-hosted deposits in the region; is unexplored since the 1940s; has never been explored with modern geophysical and geochemical methods; and has never been drilled.

As the favourable horizon is present on both limbs of the anticline, 50 kilometres of highly prospective stratigraphy are present within the 25 kilometre-long Muralla window. The favourable basal dolomite unit is largely concealed by talus (erosional debris), but modern exploration methods (geophysics, geochemistry, drilling) which were not available to the old local miners should readily delineate the potential of this unusually extensive mineralized horizon.

Sierra Azul Property (2,808 hectares)

This property covers the entire 13 kilometre length of the Sierra Azul mountain range, and contains a number of base metal occurrences including the historic Santa Genoveva mine. Stratabound’s 1997-98 program of geological

mapping, surface and underground sampling, and I.P. geophysics covered a four kilometre long grid centred on the Santa Genoveva mine area.

Following a surface diamond drill program on the Santa Genoveva deposit, the company compiled a preliminary resource estimate of 700,000 tonnes grading 9.72 % zinc and 3.69 % lead. The estimate was based on 8 surface drill holes, 174 underground channel samples, and four underground drill holes. The mineralization has been outlined along a strike length of 475 metres to date, and is open to expansion down dip, up dip and to the north (Fig. 4).

The resource estimate includes 312,500 tonnes of oxide mineralization grading 5.74 % zinc and 1.96 % lead, 125,000 tonnes of oxides grading 10.22 % zinc and 5.17 % lead, and 262,500 tonnes of sulphide mineralization grading 14.21 % zinc and 5.04 % lead.²

The deposit appears to be strengthening in grade and becoming sulphide-rich both to the north and down dip. The northernmost data point is a 1978 underground drill hole that intersected 17.1 % zinc and 2.9 % lead across 5.1 metres (Fig. 4). This must be considered a minimum width, as the hole was terminated within high grade ore when the drill rods jammed, and no follow-up drilling was done.

The tonnage can be readily expanded with underground drilling. A rough volumetric calculation indicates that extending the currently known deposit by an additional 250 metres to the north and 50 metres down the dip could add at least another 1,300,000 tonnes of similar grade.

The Santo Nino workings and showings, 1.5 kilometres along strike north of Santa Genoveva, indicate that the ultimate exploration potential is far greater than indicated above. Two channel samples, 1.0 and 0.5 metres in width, were taken from the Santo Nino workings in the course of geological mapping, and were found to grade 19.90 % and 5.81 % zinc, 2.41 % and 62.30 % lead, and 25.80 g/t and 1,140.0 g/t silver, respectively. Furthermore, within a 300

² A 150 metre long “waste” dump at Santa Genoveva represents additional potential ore grade feed. Four channel samples averaging 16.5 metres in width were taken across the dump, averaging 7.5 % zinc, 6.2 % lead and 11.0 g/t silver.

Figure 4: Sierra Azul Project, Santa Genoveva Zone - Results of underground sampling and surface drilling

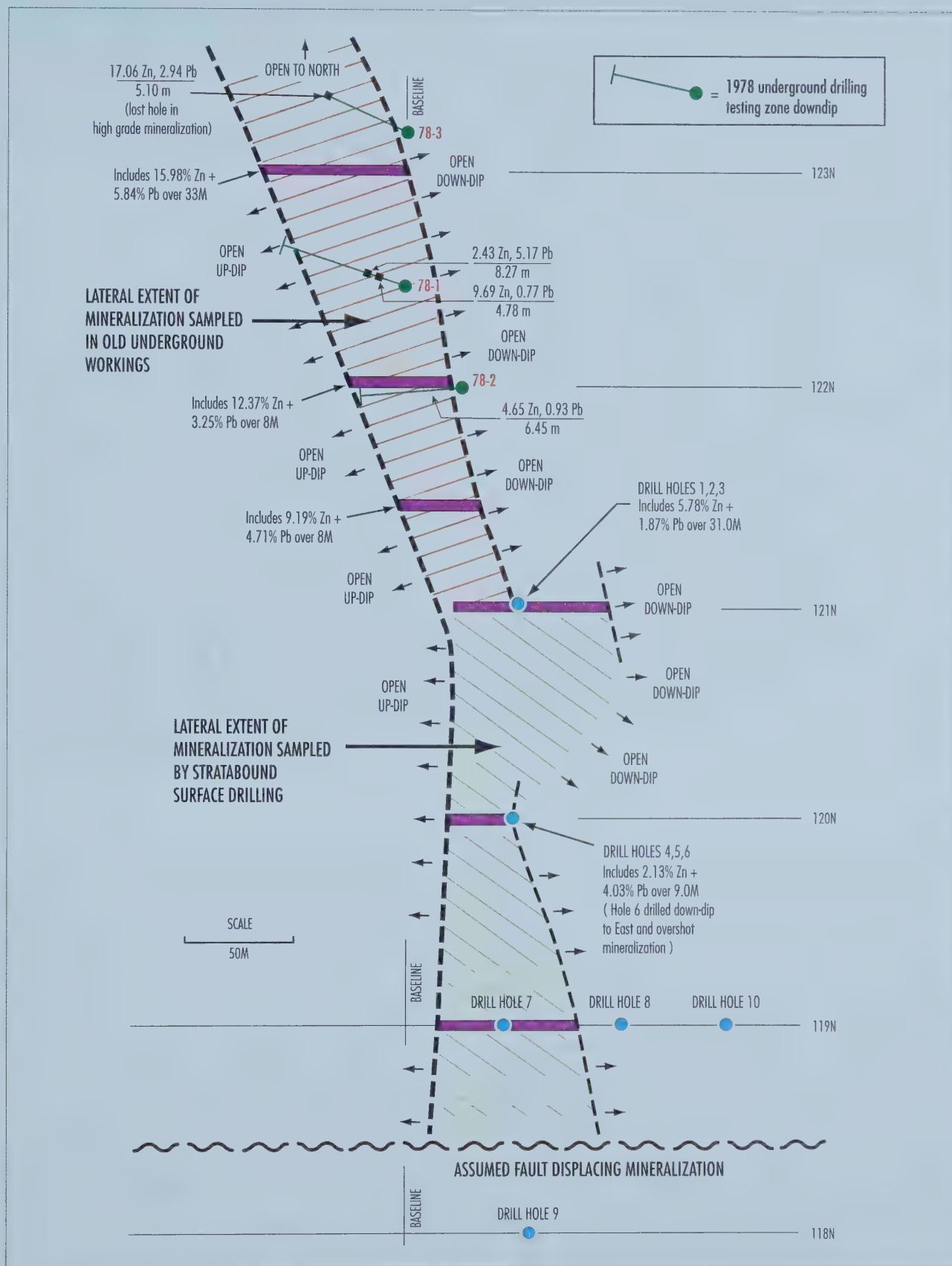
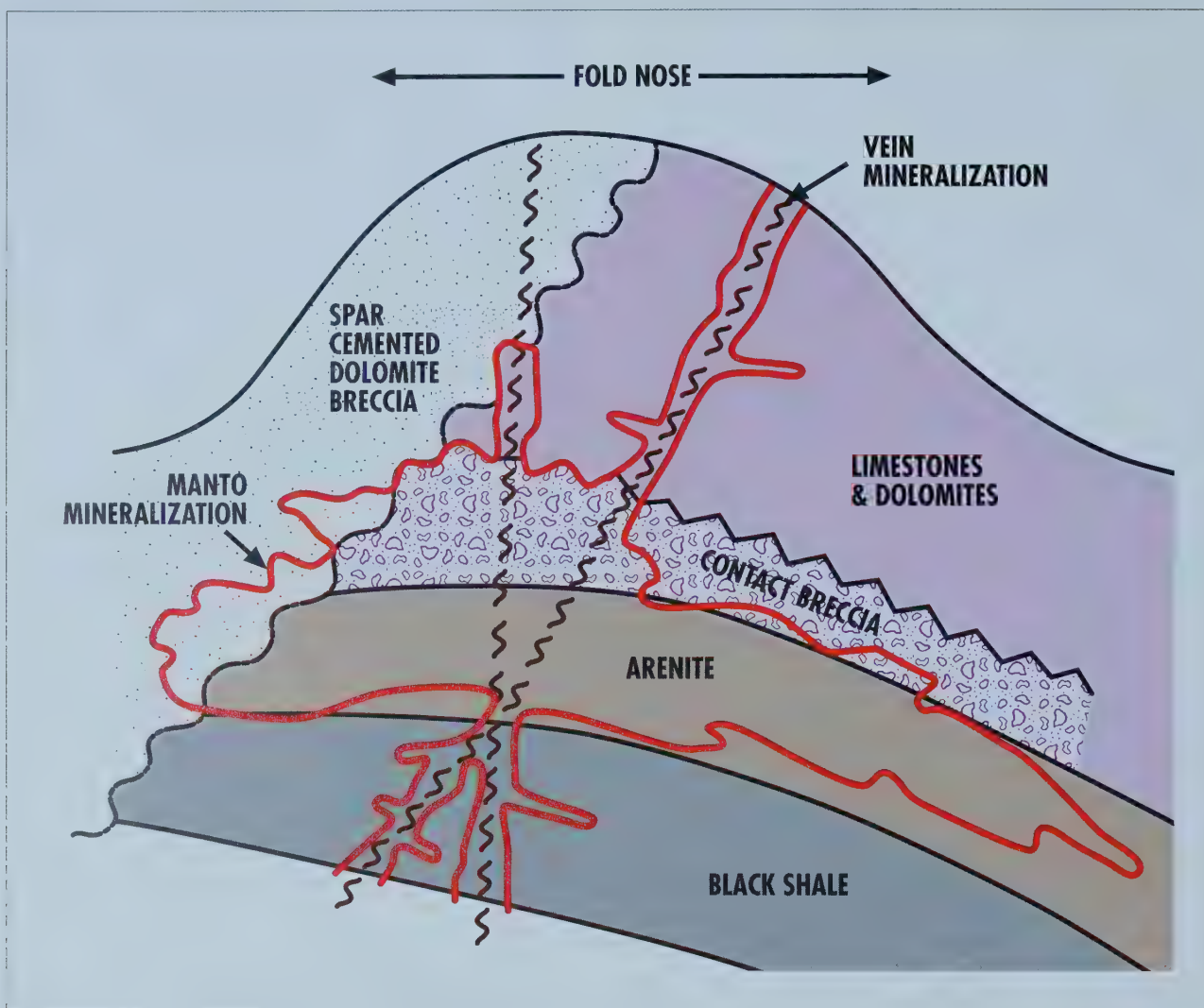


Figure 5: Idealized cross section of Santa Genoveva (looking north) to illustrate distribution of mineralization



metre radius of Santo Nino, grab samples of oxide mineralization yielded zinc grades of 14.2 % to 37.70 %, and lead grades of 1.15 % to 2.70 %. These showings are vein deposits resembling the surface vein occurrences immediately above the Santa Genoveva deposit, and may similarly be associated with unexposed manto mineralization in the underlying rocks (Fig. 5). No follow-up work has been done to date on these mineral occurrences.

Many of the world's largest carbonate-hosted zinc-lead-silver replacement deposits are located in northern Mexico. Santa Eulalia, near Chihuahua, boasts production plus reserves of 50 million tonnes, or about US\$8 billion dollars gross of contained metal, and serves as a useful explo-

ration model for the Sierra Azul and Monarca properties. Santa Eulalia's mineralization occurs as a connected network, with numerous mantos, chimneys, breccias, skarns and veins strung together within a block of ground 3.5 kilometres long, 1000 metres deep and 700 metres across.

The Santa Eulalia model suggests numerous unexposed ore zones may exist at Santa Genoveva. It further implies that if future underground and surface work determine that the Santo Nino occurrences and the Santa Genoveva deposit are both portions of the same mineralized network, a world class orebody may emerge on Sierra Azul.

Canadian Mineral Properties (32,734 acres)

In 1998, small exploration programs were also completed on the New Brunswick and British Columbia properties.

New Brunswick (16,240 acres)

Over the last year Stratabound maintained its major land position in the Bathurst Mining Camp. Detailed geological mapping was continued on the Tomogonops claim group. A continuation of a weak mineralized horizon found in 1997 was confirmed on the new grid, but appeared to have limited potential. The work was funded fifty percent by the Province of New Brunswick and Government of Canada through the Canada-New Brunswick Cooperation Agreement on Economic Diversification.

The Bathurst properties host three known base metal sulphide bodies (Table II). The Captain North Extension (CNE) deposit was explored and developed by Stratabound from 1988 to 1990, and was operated by the company as a profitable open pit mine from 1990 to 1992.

British Columbia (16,494 acres)

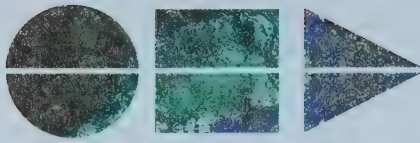
Previous programs confirmed widespread and locally high grade zinc, lead, silver and barite showings and impressive lead-zinc soil anomalies along nine miles of strike length on the Swan Property (14,764 acres). A showing located at the south end of the property was partially tested with six short drill holes in 1996. This work identified mineralized intervals up to 8.3 % lead, 3.5 % zinc and 1.5 oz/ton silver across widths of 5 to 10 feet. In 1997 a 597 line-kilometre EM and magnetic survey was flown, and follow-up gravity surveys were completed over five of the magnetic anomalies outlined by the airborne survey, detecting several large positive gravity features.

A serious program of detailed mapping, prospecting and geophysical surveys is required to follow-up the geophysical anomalies and to further define the high-grade mineralization at the Swan showing prior to selecting drill targets.

No work was done on the Swan claims in 1998, and exploration was limited to ground VLF-EM and magnetic test surveys in the vicinity of gravity and stream silt and soil zinc-lead geochemical anomalies on the Rap property (1,730 acres). Multiple coincident magnetic, VLF-EM and geochemical anomalies were outlined.

Table 2: Volcanogenic Massive Sulphide Mineralization, Bathurst Claims

Deposit	Resource Category	Tons	Zinc %	Lead %	Silver oz/ton	Copper %	Gold oz/ton
CNE	Geological reserve	178,000	7.8	2.8	2.6		
	Geological reserve	34,000				1.3	0.02
	Mineable open pit reserve	83,000	7.3	2.6	2.6		
Captain	Geological reserve	197,000			0.3	2.1	0.017
Taylor Brook	Geological resource	440,000	4.0	2.0	2.0		



Stratabound Minerals Corp.

Audited Consolidated Financial Statements

December 31, 1998

Auditor's Report

To the Shareholders of Stratabound Minerals Corp.

I have audited the consolidated balance sheets of Stratabound Minerals Corp. as at December 31, 1998 and 1997 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1998 and 1997 and the results of its operations and the cash flows for the years then ended in accordance with generally accepted accounting principles.

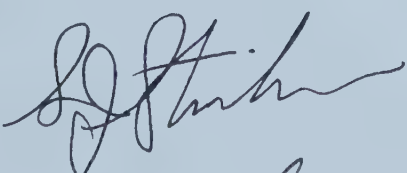
*Calgary, Alberta
March 24, 1999*

Chartered Accountant

Consolidated Balance Sheets

	December 31	
	1998	1997
Assets		
<i>Current</i>		
Cash and short term investments	\$ 266,474	\$ 883,104
Accounts receivable	6,345	33,156
Reclamation bonds	—	7,500
Prepaid expenses	2,735	4,599
	<u>275,554</u>	<u>928,359</u>
<i>Reclamation bonds</i>	11,550	11,550
<i>Property and equipment (note 3)</i>	<u>4,698,585</u>	<u>3,555,737</u>
	<u>\$ 4,985,689</u>	<u>\$ 4,495,646</u>
Liabilities and Shareholders' Equity		
<i>Accounts payable and accrued liabilities</i>	\$ 55,379	\$ 171,141
<i>Reclamation provision</i>	10,800	10,800
	<u>66,179</u>	<u>181,941</u>
<i>Shareholders' equity</i>		
Share capital (note 4)	6,389,778	5,561,792
Deficit	(1,470,268)	(1,248,087)
	<u>4,919,510</u>	<u>4,313,705</u>
	<u>\$ 4,985,689</u>	<u>\$ 4,495,646</u>

Approved by the Board:

 Director
 Director

See accompanying notes to financial statements.

Consolidated Statements of Operations and Deficit

	Year ended December 31	
	1998	1997
<i>Revenues</i>		
Interest	\$ 23,460	\$ 12,741
Petroleum	750	8,662
	24,210	21,403
<i>Expenses</i>		
General and administrative in Canada	216,459	211,497
General and administrative in Mexico	20,903	2,078
Depletion and amortization (note 3)	9,029	524,606
	246,391	738,181
<i>Net Loss</i>	222,181	716,778
<i>Deficit, beginning of year</i>	1,248,087	531,309
<i>Deficit, end of year</i>	\$ 1,470,268	\$ 1,248,087
<i>Loss per share (note 5)</i>	\$ 0.03	\$ 0.11

See accompanying notes to financial statements.

Consolidated Statements of Cash Flows

	Year ended December 31	
	1998	1997
Operating		
<i>Net loss</i>	\$ (222,181)	\$ (716,778)
<i>Items not involving cash</i>		
Depletion and amortization (note 3)	9,029	524,606
	(213,152)	(192,172)
<i>Net changes in non-cash working capital</i>	(79,587)	47,913
Cash used in operating activities	(292,739)	(144,259)
Financing		
Issuance of share capital (note 4)	827,986	1,579,219
Investing		
Reduction in non-current reclamation bonds	—	7,500
Property and equipment - Canada	(258,420)	(519,240)
- Mexico	(893,457)	(312,169)
Cash used in investing activities	(1,151,877)	(823,909)
<i>Increase (decrease) in cash</i>	(616,630)	611,051
<i>Cash and short term investments, beginning of year</i>	883,104	272,053
<i>Cash and short term investments, end of year</i>	\$ 266,474	\$ 883,104

See accompanying notes to financial statements.

Notes to Consolidated Financial Statements

December 31, 1998

1. NATURE OF OPERATIONS

The company is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

The recoverability of the cost of mineral properties is dependent upon the discovery of economically recoverable reserves, confirmation of the company's interest in the underlying mineral claims, the ability of the company to obtain necessary financing to complete the development, and future profitable production or proceeds from the disposition of properties.

2. SIGNIFICANT ACCOUNTING POLICIES

Consolidation

Compania Minera Stratamex, S.A. de C.V., a wholly owned subsidiary, is included in these consolidated financial statements. The subsidiary was incorporated in Mexico effective April 9, 1997.

Mineral Properties

All costs related to the acquisition of, exploration for, and development of mineral properties are capitalized. Upon commencement of commercial production, the related costs are amortized against income from the project using the unit-of-production method. Costs which are not considered economically recoverable through mining operations or through the sale of properties, and costs related to projects that are allowed to lapse, are expensed.

When mineral properties are optioned or sold, proceeds will be credited to the cost of the property. If no future capital expenditure is required and proceeds exceed cost, the amount is reported as a gain.

Oil and Gas Properties

The Company follows the full cost method of accounting for oil and gas activities. Under this method, all costs associated with the acquisition of, exploration for, and development of oil and gas reserves are capitalized. Proceeds from the disposition of properties will be applied as a reduction of the cost of the remaining assets, except when a significant disposition occurs, in which case a gain or loss on disposal is recorded. A significant disposition would cause a change of 20 % or more in the depletion and amortization rate. Depletion is calculated using the unit-of-production method.

The Company provides for estimated future costs to restore and abandon oil and gas properties based on current costs and regulations.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint Venture Activities

These consolidated financial statements reflect only the Company's proportionate interest in exploration and production activities conducted jointly with others.

Office Equipment

Office equipment is amortized on the declining balance method at rates of 20 % to 30 %.

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies are translated at rates in effect on the dates the assets were acquired or liabilities were assumed. Revenues and expenses are translated at rates of exchange prevailing on the transaction dates. Gains and losses on translation are reflected in income when incurred.

Options

Where the company enters into option agreements for the acquisition of interests in mineral properties which provide for periodic payments, such amounts are not recorded as liabilities since they are payable entirely at the company's option. Such payments, when made, are recorded as costs of the properties to which they relate.

3. PROPERTY AND EQUIPMENT

	December 31, 1998		
	Cost	Accumulated Depletion and Amortization	Net
Mineral properties in Canada	\$3,630,159	\$ 190,742	\$3,439,417
Mineral properties in Mexico	1,227,325	—	1,227,325
Oil and gas properties	35,044	17,480	17,564
Office equipment	45,702	31,423	14,279
	\$4,938,230	\$ 239,645	\$4,698,585

— Property and Equipment continued next page

3. PROPERTY AND EQUIPMENT *(continued)*

	December 31, 1997		
	Cost	Accumulated Depletion and Amortization	Net
Mineral properties in Canada	\$3,375,896	\$ 190,742	\$3,185,154
Mineral properties in Mexico	333,868	—	333,868
Oil and gas properties	34,999	13,200	21,799
Office equipment	41,590	26,674	14,916
	\$3,786,353	\$ 230,616	\$3,555,737

At December 31, 1998, the Company has non-producing mineral properties with a net carrying value of \$4,666,742 (1997 - \$3,519,022) which have not been subject to depletion.

For the year ended December 31, 1997, depletion includes a write-down of mineral properties in Canada of \$516,691.

4. SHARE CAPITAL

(a) Authorized

An unlimited number of common shares, without nominal or par value.

(b) Issued

	December 31, 1998	
	Number of Shares	Amount
Issued and outstanding at December 31, 1997	7,145,051	\$5,561,792
Share transactions during 1998 for:		
Issuance of shares for cash	233,300	151,445
Warrants exercised	375,662	637,541
Options exercised	55,000	39,000
	663,962	827,986
Issued and outstanding at December 31, 1998	7,809,013	\$6,389,778

— Share Capital continued next page

4. SHARE CAPITAL (continued)

	December 31, 1997	
	Number of Shares	Amount
Issued and outstanding at December 31, 1996	6,056,881	\$3,982,573
Share transactions during 1997 for:		
Acquisition of mineral claims	15,000	16,050
Issuance of flow-through shares for cash	371,700	529,818
Issuance of shares for cash	637,350	935,423
Warrants exercised	7,400	11,840
Payments for services	56,720	86,088
	1,088,170	1,579,219
Issued and outstanding at December 31, 1997	7,145,051	\$5,561,792

In 1997 the company issued 371,700 flow-through shares, to finance exploration expenditures. The terms of the flow-through share agreements required the Company to renounce Canadian Exploration Expenditures (CEE), as defined in the Canadian Income Tax Act, to the investors. These CEE deductions were deductible by investors for income tax purposes and accordingly were not available to the Company. In 1998, no flow-through shares were issued.

(c) Stock Options Outstanding

Date of Issue	Exercise Price	Options Outstanding	Expiry Date
February 23, 1994	\$0.55	247,000	February 23, 1999
June 28, 1995	\$0.60	60,000	June 28, 2000
January 15, 1996	\$0.95	13,500	January 14, 2001
September 12, 1996	\$1.20	200,000	September 12, 2001
July 16, 1997	\$0.75	80,000	July 16, 2002

(d) Share Purchase Warrants Outstanding

Date of Issue	Exercise Price	Warrants Outstanding	Expiry Date
March, 1997	\$1.75	120,600	February, 1999
March, 1997	\$1.60	170,700	February, 1999
May, 1997	\$1.95	79,688	March, 1999
October, 1997	\$2.00	500,000	April, 1999
November-December, 1998	\$0.75	233,300	November, 2000

5. LOSS PER SHARE

Loss per share is calculated using the weighted average number of common shares outstanding during the year. There would be no dilutive effect on loss per share as a result of the outstanding share options and warrants being exercised.

6. INCOME TAXES

At December 31, 1998 the company has \$2,276,378 (1997 - \$2,022,069) of unused cumulative Canadian exploration and development expenses, earned depletion and tangibles available to offset future taxable income. The tax benefits pertaining to these expenses are available for carry forward indefinitely.

At December 31, 1998 the company has non-capital losses of \$1,102,054 (1997 - \$890,620) available for offset against future taxable income. If these losses are not utilized, they will expire as follows:

1999	\$ 60,965
2000	152,137
2001	127,740
2002	140,014
2003	221,055
2004	188,709
2005	211,434
	\$1,102,054

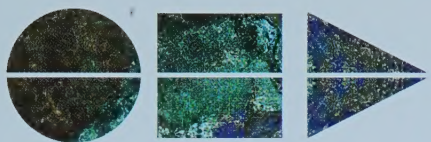
No tax benefits pertaining to these amounts have been recognized in these consolidated financial statements.

7. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

8. COMPARATIVE AMOUNTS

Certain prior year amounts have been reclassified to conform with current year presentation.



Corporate Information

BOARD OF DIRECTORS

Stanley J. Stricker, Calgary, Alberta
Jerry D. Blackwell, Vancouver, British Columbia
Michael S. Mann, Calgary, Alberta
Richard W. Hutchinson, Golden, Colorado
C. Franklin Agar, Calgary, Alberta

OFFICERS

Stanley J. Stricker, President
Susan J. Stricker, Secretary-Treasurer

CORPORATE OFFICE

Suite 518, 222 - 58th Avenue S.W.
Calgary, Alberta T2H 2S3
Telephone: (403) 258-3630
Fax: (403) 259-4389

CONSULTANTS

Canada: Glenn G. Lutes
International: Goodwin & Associates

SOLICITORS

Macleod Dixon, Calgary

AUDITOR

Garry W. Luna, Calgary

BANKER

Bank of Montreal

REGISTRAR AND TRANSFER AGENT

Montreal Trust, Calgary

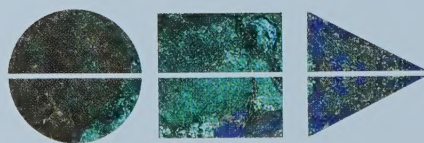
STOCK EXCHANGE LISTINGS

Alberta Stock Exchange
Symbol: SB

OTC Bulletin Board
Symbol: SBMCF

ANNUAL MEETING

Stratabound Minerals Corp.'s annual meeting will be held at the company's registered office at Macleod Dixon, 3700 Canterra Tower, 400 - 3rd Avenue S.W., Calgary, Alberta on September 8, 1999 at 3:00 p.m.



Stratabound
MINERALS CORP.

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